

**BEFORE THE SECURITIES COMMISSIONER  
OF THE STATE OF KANSAS**



In the Matter of:

CHAD WALKER BROOKS, CRD NO. 1968067, and  
ABM MANAGEMENT, INC.,

Docket No. 17 E 039  
KSC No. 2015-6307

Respondents.

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Pursuant to K.S.A. 17-12a604

**ORDER TO CEASE AND DESIST AND  
NOTICE OF INTENT TO IMPOSE ADMINISTRATIVE SANCTIONS**

Staff for the Office of the Kansas Securities Commissioner ("KSC Staff") allege that Respondents have committed violations of the Kansas Uniform Securities Act ("KUSA") justifying the issuance of an emergency Order to Cease and Desist under K.S.A. 17-12a604(a) and the imposition of additional administrative sanctions and remedies against Respondents under K.S.A. 17-12a604(b). Such additional sanctions and remedies may include one or more of the following: a civil penalty for each violation of the KUSA, a bar or suspension from association with a broker-dealer or investment adviser registered in Kansas, restitution and disgorgement (including interest), and an order for costs. Based upon the allegations of the KSC Staff, the Securities Commissioner of Kansas ("Commissioner") issues this Order to Cease and Desist and Notice of Intent to Impose Administrative Sanctions ("Order and Notice").

If Respondents wish to contest the allegations of the KSC Staff and the Findings of Fact, Conclusions of Law, and Order set forth herein, Respondents must file a request for hearing within thirty-three (33) days after the date of mailing on the Certificate of Service attached to this Order and Notice. A request for hearing must be in the manner and form prescribed by K.A.R. 81-11-3 and 81-11-5, and it must be filed with the Office of the Kansas Securities

Commissioner, 109 SW 9th Street, Suite 600, Topeka, Kansas 66612. Such a hearing will be conducted in accordance with the provisions of the Kansas administrative procedure act. K.S.A. 77-501 - 77-566.

A request for hearing must be verified under oath by Respondents and, if Respondents dispute any of the allegations of the KSC Staff, Respondents shall specifically deny the allegations or they will be deemed admitted. In addition, Respondents may offer evidence and argument to mitigate the facts set forth herein. If facts are properly disputed, the matter will be set for hearing. **If no request for hearing is filed within thirty-three (33) days after the date of mailing on the Certificate of Service attached to this Order and Notice, and none is ordered by the Commissioner, this Order will become final as to Respondents by operation of law, or the Commissioner may modify the Order to include additional sanctions and remedies under K.S.A. 17-12a604(b).**

#### **FINDINGS OF FACT**

1. Respondent Chad Walker Brooks ("Brooks"), CRD No. 1968067, is a former Missouri resident currently residing in the Republic of Panama. His current address is unknown.
2. Brooks was last registered with broker-dealer Heartland Capital, Inc., CRD No. 32460, but voluntarily terminated his registration on March 14, 1997. Brooks has not associated with a registered entity since that time.
3. Brooks purports to operate under the business name ABM Management, Inc. ("ABM").
4. Respondent ABM Management, Inc. is a Washington corporation, registered on June 9, 2004, which expired on June 30, 2014. The Washington Secretary of State lists ABM's registered agent as Suzette Flemming, located at 26828 Maple Valley Black Diamond Rd. SE #218, Maple Valley, WA 98038.

5. ABM Management, Inc. is also registered in Nevada. ABM filed for registration on July 13, 2005, which expired on July 31, 2011. Its registration lists four officers: president, secretary, treasurer, and director—positions all held by Carol J. Graham of 800 N. Rainbow, Ste. 208, Las Vegas, NV 89107.
6. According to both Flemming and Graham, both ABM entities in Washington and Nevada are operated under the direction of Brooks.
7. The CRD contains no listing for either ABM entity and neither entity was ever registered with KSC in any capacity.
8. On May 21, 2015, Verlan Penn, a Waddell & Reed agent, contacted KSC alleging possible unregistered investment adviser activity by Brooks. In response, KSC opened an investigation into the possible unregistered activity.

#### *Unregistered Activity*

9. During KSC's administrative inquiry it was discovered that Brooks has been operating as an unregistered investment adviser in Kansas since at least 1998.
10. [REDACTED] began using Brooks as their investment adviser in 1998.
11. In 2013, at Brooks's suggestion, the [REDACTED] set up two accounts with TD Ameritrade, an IRA account, under [REDACTED] name, and a joint tenant investment account. Brooks was never formally associated on the accounts as the investment adviser, but he managed the accounts using [REDACTED] username and password. It was agreed that Brooks would receive a 1.0% (one percent) yearly management fee, which would be drawn in quarterly increments of 0.25%.

12. The [REDACTED] had personal contact with Brooks and he personally solicited the management arrangement and negotiated his fee.
13. In or around November of 2015, [REDACTED] logged into his TD Ameritrade account. He discovered that the money in the joint tenant investment account was entirely in cash rather than a variety of funds, as was previously agreed upon. His concern led him to change the password to the accounts so that Brooks would no longer have access.
14. Records from TD Ameritrade show that no withdrawals were made from the IRA account. However, from October 29, 2013 to July 18, 2015, eight checks were issued on the joint tenant investment account. The checks were written to ABM Management, Inc., and were issued once a quarter beginning on October 29, 2013. The checks ranged between 0.275% and 0.288% of the ending total assets in the joint tenant investment account for each quarter, which is higher than the agreed-upon 0.25% quarterly fee.
15. Trading in the joint tenant investment account occurred as follows:
- a. From March 2013 through December 2013, Brooks transacted \$442,966.39 in securities purchases and \$376,668.97 in securities sales.
  - b. From January 2014 through December 2014, Brooks transacted \$3,870,355.40 in securities purchases and \$3,644,119.33 in securities sales.
  - c. From January 2015 through December 2015, Brooks transacted \$1,005,554.08 in securities purchases and \$1,507,609.21 in securities sales.
  - d. Beginning on September 1, 2015, the entire balance of [REDACTED] joint tenant investment account was in cash. The funds in the account remained in cash until [REDACTED] liquidated the account on December 10, 2015.
16. The [REDACTED] never made any trades in the account.

17. At the time the time of the unregistered activity, Brooks purported to be associated with  
ABM Management, Inc.
18. ABM was neither registered nor exempt from registration as an investment adviser in the  
State of Kansas during that time.
19. Both Brooks and ABM received compensation for the advisory services provided to Kansas  
residents.

### **CONCLUSIONS OF LAW**

20. The Commissioner has jurisdiction over Respondents and this matter.
21. Under K.S.A. 17-12a604(a), the Commissioner may issue an order directing the Respondents  
to cease and desist from engaging in an act, practice, or course of business constituting a  
violation of the KUSA or a rule or order issued thereunder.
22. Under K.S.A. 17-12a604(b), the Commissioner may enter an order against Respondents  
containing one or more listed sanctions if the Commissioner finds, by written findings of fact  
and conclusions of law, that Respondents have violated the KUSA or a rule or order issued  
thereunder. Such available sanctions comprise: (1) a civil penalty of up to \$25,000 for each  
violation; (2) a bar or suspension from association with a broker-dealer or an investment  
adviser registered in Kansas; (3) an order requiring payment of restitution for any loss or  
disgorgement of any profits arising from a violation, including, in the Commissioner's  
discretion, the assessment of interest from the date of the violation; and (5) an order charging  
Respondents with the actual cost of an investigation or proceeding.

#### ***Failure to Register as an Investment Adviser in Kansas***

23. Based on the foregoing and in violation of K.S.A. 17-12a403(a), Respondent ABM operated  
as an unregistered investment adviser in the state of Kansas.

***Failure to Register as an Investment Adviser Representative in Kansas***

24. Based upon the foregoing and in violation of K.S.A. 17-12a404(a), Respondent Brooks operated as an unregistered investment adviser representative in the state of Kansas.

**CEASE AND DESIST ORDER**

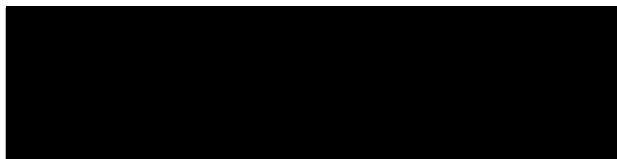
**IT IS, THEREFORE, ORDERED** by the Commissioner that Respondents, their officers, agents, servants, employees, and any person in concert or participation with them who receives actual notice of this Order shall immediately CEASE AND DESIST and are prohibited from:

- A. violating or materially aiding in any violation of K.S.A. 17-12a403(a) by operating as an unregistered investment adviser in the state of Kansas; and
- B. violating or materially aiding in any violation of K.S.A. 17-12a404(a) by operating as an unregistered investment adviser in the state of Kansas

or directly or indirectly aiding and assisting in the same or attempting to do the same, unless and until Respondents refrain from all acts and practices that constitute violations or are about to constitute violations of the KUSA.

**IT IS SO ORDERED BY THE COMMISSIONER.**

Entered at Topeka, Kansas, this 30 day of March, 2017,



Joshua A. Ney  
Kansas Securities Commissioner

## CERTIFICATE OF SERVICE

On this 31<sup>st</sup> day of March, 2017 I was provided a copy of the aforementioned process on behalf of the Office of the Securities Commissioner. I promptly sent notice of the process to the address below, being the address set forth in the recipient's consent to service of process or last known address. The process was sent via first class and certified mail, receipt requested to:

Chad Walker Brooks  
RT. 5 Box 290  
Joplin, MO 64804

Chad Walker Brook  
(b) (6)

ABM Management, Inc.  
Attn: Suzette Flemming, Registered Agent  
26828 Maple Valley Black Diamond Rd. SE #218  
Maple Valley, WA 98038

ABM Management, Inc.  
Attn: Carol J. Graham  
800 N. Rainbow, Suite 208  
Las Vegas, NV 89107

ABM Management, Inc.  
Attn: Registered Agent  
800 N. Rainbow, Suite 208  
Las Vegas, NV 89107

(b) (6)  
Nickie Oathout  
Administrative Clerk